

———— JCR Green Loan Evaluation by Japan Credit Rating Agency, Ltd. ————

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Loan Evaluation Results.

JCR Assigned Green 1 to Short-term and Long-term loan borrowed by SOSiLA Logistics REIT, Inc.

Subject	:	Short-term and Long-term loans borrowed by SOSiLA Logistics REIT, Inc.
Type	:	(1)Short-term and (2)Long-term loan
Lender	:	Syndicated loans
Borrowing Amount	:	(1) JPY 2.1 billion (2) a. JPY 4.85 billion, b. JPY 4.85 billion
Interest Rate	:	(1) Benchmark rate + 0.150% (2) a. Benchmark rate + 0.290%, b. Benchmark rate + 0.390%,
Execution Date	:	(1) December 10, 2020 (2)a. December 4, 2020, b. December 4, 2020
Maturity Date	:	(1) November 30, 2021 (2) a. November 30, 2026, b. November 30, 2028
Repayment Method	:	Lump-sum repayment at maturity
Use of Proceeds	:	Fund for new acquisition and refinancing of green eligible assets

<Green Loan Evaluation Results>

Overall Evaluation	Green 1
Greenness Evaluation (Use of Proceeds)	g1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

SOSiLA Logistics REIT Investment Corporation (the Investment Corporation) is the first J-REIT sponsored by Sumitomo Corporation mainly investing in logistics facilities. It was established in June 2019 and listed on the Tokyo Stock Exchange (real estate investment trust securities market) in December 2019. Sumisho Realty Management Co., Ltd. (the Asset Manager) is responsible for the asset management of the Investment Corporation, and is owned 100% by Sumitomo Corporation. The portfolios at the time of listing consist of seven properties (five of which are "SOSiLA" series developed by Sumitomo Corporation, and the remaining two properties are base land and land related to industrial real estate), with the asset size of ¥76.5 billion based on acquisition price.¹

¹ Real estate used or available for use in data centers, telecommunications facilities, research facilities, factories, materials and vehicle yards, airports and harbor-related facilities, energy-related facilities, water-related facilities, automobile transport-related facilities, distribution and processing facilities, recycling facilities, etc.

The Investment Corporation strives for maximizing unitholders' value by utilizing the knowledge and development capabilities of the Sumitomo Corporation Group in the real estate business and the know-how it has accumulated through the management of private funds and private REITs. At the same time, the Investment Corporation aims to develop the logistics real estate market and realize an affluent society by investing in logistics real estate, etc. that links "people" and "society," including the "SOSiLA" series. The basic philosophy of the Investment Corporation is to provide opportunities for ESG investment to a wide range of investors, and efforts to formulate a green finance framework from the beginning of the IPO and to implement green finance for subsequent asset acquisitions are positioned as part of this philosophy.

The Investment Corporation engages in ESG as a member of the Sumitomo Corporation Group together with the Asset Manager. In addition to the ESG Promotion Committee headed by the President and Director, the Asset Manager has established a system to address environmental issues company-wide basis, including the establishment of Technology Center within the Business Planning Department to support environmental initiatives from a specialist perspective, in addition to the ESG Promotion Team and the ESG Task Force, which aim to promote ESG initiatives across the company's internal divisions. In addition, the Asset Manager actively reflects knowledge not only within the Company but also outside the Company, such as the Sustainability Promotion Department of Sumitomo Corporation and consulting companies, in its business operations.

The scope of this evaluation is short-term borrowings and long-term borrowings (the Borrowings) in which the Investment Corporation procures funds through a method of syndicated loan with Sumitomo Mitsui Banking Corporation as the arranger and the agent. Among the borrowings, the use of funds for short-term borrowings is to refinance the loans for four logistics facilities that have obtained environmental certification at the time of the listing, and the long-term borrowings is to make new investments in two logistics facilities, which have environmental certification.

The Asset Manager stipulates in the "Qualified Criteria" in the Investment Corporation's Green Finance Framework that the level of environmental certification for acquisition environmentally certified buildings shall be properties that have acquired or are expected to acquire one of the following: 3 stars or better of DBJ Green Building certified, B+ rank of CASBEE certified, or 3 stars or better in BELS evaluation. JCR also assessed the above framework and concluded that the above-mentioned eligible criteria cover buildings with environmental remediation benefits, and on November 5, 2019, granted Green 1 (F) to the framework. In addition, any of the four properties subject to short-term borrowings and the two properties subject to the long-term borrowings meet the levels established by the Asset Manager as eligible criteria. When JCR carried out the confirmation work on the environmental performance of those 6 properties, it was confirmed that all of them had the environmental improvement effect. In addition, the Investment Corporation properly ascertains the negative risks to the environment assumed when acquiring properties and takes appropriate measures as necessary. Based on the above, JCR evaluates that the above-mentioned eligible criteria target the projects that are expected to have environmental improvement effects.

The selection of the target project is determined by the Listed REIT Investment Committee, which will be mentioned later, regardless of the financing method, and reported to the Board of Directors and the ESG Promotion Committee. The balance of funds procured through green financing are managed based on portfolio management until green financing is redeemed or repaid. The status of appropriation of funds and the content of reports on the effects of environmental improvement are also appropriate. Based on the above, JCR has evaluated that the management and operation system of the Investment Corporation has been established and that it is transparent.

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1" for the evaluation of the "Greenness (Use of Proceeds)" and "m1" for the evaluation of the "Management, Operation and Transparency ". Consequently, JCR assigned "Green 1" for overall "JCR Green Loan Evaluation" to the Borrowing. Detailed evaluation results are

discussed in the next chapter. JCR has also concluded that the Borrowing meets the standards for the “Green Loan Principles” and the “Green Bond Guidelines Green Loan and Sustainability Linked Loan Guidelines”.²³

² LMA (Loan Market Association), APLMA (Asian Market Loan Association) Green Loan Principle 2020
<https://www.lma.eu.com/>

³ Ministry of the Environment Green Bond Guidelines Green Loan and Sustainability Linked Loan Guidelines 2020
https://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf (pp.36-67)

Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluations

Evaluation Phase 1: Greenness Evaluation

JCR assigns "g1", the highest grade, to "Evaluation phase 1: Greenness Evaluation".

Rationale: Use of proceeds for the Borrowings will be 100% allocated to green projects based on the current situation described in detail below.

(1) JCR's Key Consideration in This Factor

In this section, firstly, JCR assesses whether the proceeds will be allocated to green projects that have explicit improvement effects on environment. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently have taken necessarily avoidance or mitigation measures, in case use of proceeds may have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current Status of Evaluation Targets and JCR's Evaluation

Overview of Use of Proceeds

a. On the environmental improvement effects of the project

- i. **100% of proceeds are used for new investment acquiring and refinancing of " the Green Eligible Assets" that have high environmental improvement effects.**

<<SOSiLA Logistics REIT Investment Corporation's Green Finance Framework>

Funds raised through Green Finance will be used for fund acquiring existing or new Green eligibility Assets (including planned acquisitions) that meet any of the following eligible criteria, or to fund the renovation of Green Eligible Assets, or to repay and redeem borrowings (including Green Loans) and Investment Corporation Bonds (including Green Bonds) required for them.

- **Qualified Criteria (Green Building)**

Properties that have acquired or will acquire one of the following certifications

- B+ Rank, A Rank, or S Rank for CASBEE Authentication
- 3-star, 4-star, or 5-star DBJ Green Building certification
- 3-star, 4-star, or 5-star BELS certification
- Silver, Gold or Platinum in LEED Certification

- **Qualified Criteria (Construction Renovation)**

Renovations related to owned assets that satisfy any of the following

- i. Construction / Renovation that are beneficial in terms of the environment, such as reducing the use or discharge of CO₂, energy, water, etc. (those that are expected to reduce the use or discharge by 10% or more from the previous level)
- ii. Acquisition or reacquisition of environmental certification that meets the above-mentioned qualification criteria, or improvement of at least one level

- **Qualified Criteria (Energy-saving Equipment)**

Costs related to the replacement of air-conditioning equipment, use of LEDs for lighting equipment, and introduction of power storage systems (expected to reduce energy consumption by 10% compared with the previous system)

- **Eligible Criteria (Renewable Energy)**

Acquisition or installation of renewable energy generation facilities (on the sites or rooftop of holding properties)

JCR assessed the above framework and found that the eligible criteria target buildings with environmental improvement effect, and on November 5, 2019, Green 1 (F) was granted to the framework.

The proceeds from the long-term debt will be used as a new investment to fund the acquisition of SOSiLA Ebina and SOSiLA Nishiyodogawa II, which will be newly acquired by the Investment Corporation. SOSiLA Ebina is rated A for CASBEE Building (new construction), and SOSiLA Nishi-Yodogawa II is ranked A for CASBEE Osaka Mirai.

Funds raised through short-term borrowings will be used to refinance the acquisition of four of the seven properties newly acquired by the Investment Corporation at the same time as the listing (SOSiLA Yokohama Port Kita Yokohama A rank, SOSiLA Sagamihara and SOSiLA Kasukabe CASBEE Building (new construction) A rank, and SOSiLA Nishiyodogawa I CASBEE Osaka Mirai B+ rank). On December 10, 2019, JCR granted a "Green 1" for short-term borrowings prior to refinancing.

Based on the above, JCR confirmed that all of the properties subject to the use of funds under this loan met the eligibility criteria stipulated in the Investment Corporation's Green Finance Framework, and that the effect of environmental improvement was high. Of the uses of funds under this loan, details of the two properties subject to the use of funds under the long-term loan are as described in <Green Qualified Assets 1> and <Green Qualified Assets 2>.⁴

SOSiLA series, the main portfolios of the Investment Corporation, has the concept of aiming at a new style of logistics facilities (Logistic Aspect) based on the three themes of connection with society (Sociability), environmental considerations and sustainable growth (Sustainability), and consideration for human and the working environment (Individuality). Two of the uses of this loan, which are the targets of new investment, have excellent energy-saving performance from the viewpoint of heat burden of buildings and streamlining of facilities systems through the introduction of highly insulated structure structures and energy-saving equipment, similar to the four properties that are the targets of refinancing, and have been highly evaluated in terms of CASBEE certification. In addition, both properties are located near consuming areas based on the concept of developing close-to-consuming logistics facilities, mainly in densely populated areas. Improved truck delivery efficiency can be expected to reduce CO₂ emissions during transportation. From the viewpoint of strengthening resilience in cities, BCP (business continuity plan) measures such as robust structure structures, in-house power generation facilities in the event of power outages, and centralized management by disaster prevention centers are also sufficiently implemented. Although SOSiLA Ebina is located close to residential districts as a result of emphasizing accessibility due to consideration of people and the working environment, the surrounding environment and residents are considered by installing soundproof-prevention equipment such as noise-control panels, and planting and placement for biodiversity in order to reduce thermal impact outside the site.

By showing clear criteria for green financing, the Investment Corporation encourages sponsors who develop and provide SOSiLA series to originate properties with high environmental performance, and it is considered that the intention of the Investment Corporation is also reflected in the six properties for which the funds are used for this loan.

⁴ See the Green Loan Valuation Report (News Release 19-D-0913) granted Green 1 on December 10, 2019 for four properties subject to short-term borrowing funding uses.

<Green Qualified Assets 1>

Property name	SOSiLA Ebina
Address	5-chome, Nakashinden, Ebina-City, Kanagawa
Major Applications	Logistics facilities
Site Area	33,817 m ²
Total floor area	71,963 m ²
Floors	4 above-ground floors
Year of completion	February 2020
Predetermined price	JPY 14.694 billion (Acquisition of a 62% co-ownership interest)
Environmental certification (year of acquisition)	CASBEE Construction (New Construction) Rank A (2018)
Features and environmental performance	<ul style="list-style-type: none"> • Among the elements of CASBEE, it is excellent in energy saving performance. In particular, by curbing the thermal load of buildings (reducing the radiant heat of sunlight by installing rooftop greenery and solar panels and achieving BPIm=0.79 by utilizing metal sandwich panels with excellent thermal insulation on the exterior walls) and improving the efficiency of the facility system (BEI=0.46), the designed primary energy consumption has been reduced by 54% compared with that of standard buildings, a reduction rate that greatly exceeded the typical energy-saving guidance standard of 20%.⁵⁶ • In addition to locating near consumption areas, the company aims to reduce CO₂ emissions during transportation by improving truck delivery efficiency through the installation of central road-type double-sided berths that take into account frequency deliveries and 24-hour operations, and ramp ways that can be used for tankers on each floor from the first floor to the third floor. • The surrounding environment and residents are considered by establishing noise control equipment such as noise control panels, planting trees to reduce thermal effects outside the site, and planting arrangements for biodiversity.

⁵ BPIm is the reduction rate of annual thermal load counts calculated using the model building method (design yearly load counts/base yearly load counts). The larger the reduction rate relative to the standard annual impact, the smaller BPIm. The smaller the value, the lower the heat load. Guidance criteria for high-performance buildings based on the Building Energy Conservation Law are 1.0 or less.

⁶ BEI is a measure of energy-saving performance relative to the standard value, using primary energy consumption of design as the numerator and primary energy consumption as the denominator. The smaller the value, the higher the energy efficiency. The standard for high-performance guidance based on the Building Energy Conservation Law is 0.8 or less.

<Green Qualified Assets 2>

Property name	SOSiLA Nishi-Yodogawa II
Address	2-chome, Nakajima, Nishiyodogawa-ward, Osaka-City, Osaka
Major Applications	Logistics facilities
Site Area	23,635 m ²
Total floor area	47,494 m ²
Floors	4 above-ground floors
Year of completion	April 2017
Predetermined price	JPY 8.404 billion
Environmental certification	CASBEE-Osaka Mirai A Rank (2015)
Features and environmental performance	<ul style="list-style-type: none"> • Energy consumption is reduced (BPI_m=0.62, BEI=0.41) by introducing high-efficiency equipment such as LED lights in facilities and equipment using building materials such as frame construction with high thermal insulation performance and metal sandwich panels. • In addition to adopting water-saving type appliances for more than half of principal faucets, environmental load reduction is attempted from the viewpoint of resources and materials by positive adoption of recycled materials to buildings. • We intend to reduce CO₂ emissions during shipping by improving the efficiency of delivery of tracks through the use of nearby locations.

ii. Projects eligible for use of proceeds fall under the category of "regional, national or internationally recognized standards and certified green buildings" and "energy conservation" in the Green Loan Principles. In addition, among the uses of funds exemplified in the Green Loan Guidelines and Sustainability Link Loan Guidelines, they correspond to "projects related to green building" and "projects related to energy conservation⁷."

b. Negative impact on the environment

The Asset Manager conducts due diligence when considering the acquisition of properties and identifies and manages material environmental risks associated with green-eligible assets. The Asset Manager's policy is to avoid and mitigation risks by foregoing property acquisitions if there is a risk of a negative impact on the environment, or by conducting additional construction. Through the implementation of these due diligence and countermeasures against risks, the Investment Corporation avoids and mitigates the negative impact on the environment in green projects subject to the use of funds.

Based on the above, JCR has confirmed that the Investment Corporation conducts appropriate risk management with regard to the negative impact on the environment.

c. Consistency with SDGs goals and targets

The goals of the use of funds are businesses categorized as "regional, national or internationally recognized standards and certified green buildings" and "energy conservation" in the Green Loan Principles, and

⁷ A project to acquire environmental certification that conforms to domestic standards or demonstrates high performance in environmental certification systems, such as CASBEE certification and LEED certification, and undertake new construction or renovation of green buildings, which are broadly compliant with considerations such as water consumption and waste management, in addition to energy-saving performance.

businesses categorized as "projects related to green buildings" and "projects related to energy conservation" among the uses of funds exemplified in the Green Loan and Sustainability Link Loan Guidelines. While referring to ICMA's SDGs mapping, JCR evaluated that they would contribute to the following SDGs targets and targets.



Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

(Reference) Certification System for Each Green Building

(1) DBJ Green Building certification

Certification system provided by DBJ (Development Bank of Japan) to evaluate real estate with environmental and social considerations. The evaluation results are expressed as the number of stars, and the evaluation axis is "buildings with consideration for the environment and society". Each is represented by five stars (one of the highest domestic excellence), four stars (extremely excellent), three stars (very excellent), two stars (excellent), and one star (satisfactory). Although this is not an evaluation specializing in environmental performance, it is highly recognized in Japan, and it also has certain evaluation items regarding environmental performance. Therefore, JCR evaluates this certification as equivalent to the "green building" of the green project classification defined in the Green Bond Principles, which is recognized as a "standard or certified internationally recognized in the region, country, or country." However, since the certification is not limited to the environmental performance, it is considered desirable to confirm the evaluation for the environmental performance individually.

(2) CASBEE (Comprehensive Building Environmental Performance Assessment System)

An acronym for the English-language name of the Comprehensive Architectural Environmental Performance Assessment System (Comprehensive Assessment System for Built Environment Efficiency).

This is a method to evaluate and rate the environmental performance of buildings, and it established the Comprehensive Environmental Evaluation Research Committee for buildings as a joint project between industry, government, and academia with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism in April 2001, and has been continuously developing and maintaining it since then. In addition to CASBEE-buildings and CASBEE-districts, valuation tools include CASBEE-real estate developed with the purpose of showing environmental performance in an easy-to-understand manner for the real estate market.

The assessment results are divided into five grades: S rank (excellent), A rank (excellent), B+ rank (good), B-rank (slightly inferior), and C-rank (inferior). CASBEE-real estate is classified into four

grades: S rank (excellent), A rank (excellent), B+ rank (good), and B rank (satisfying essential items). Evaluation methods use quantified performance in the four fields of energy consumption, resource circulation, regional environment, and indoor environment in buildings, reconfigured from the viewpoint of environmental quality of buildings (Q = Quality) and environmental impact of buildings (L = Load). The evaluation is conducted by the value of BEE (building environmental-efficiency) with L as the denominator and Q as the numerator. For high evaluation, in addition to environmental considerations such as energy saving and use of materials and equipment with low environmental impact, consideration of indoor comfort and landscape are also required, and high overall building quality is required.

(3) BELS (Energy Conservation Performance Indication System for Buildings)

BELS is a system for labeling energy conservation performance of buildings. It is a system to evaluate and certify energy conservation performance of new and existing buildings by a third-party evaluation organization. Outer skin performance (performance standard and specification standard) and primary energy consumption (performance standard and specification standard) become evaluation subjects, and the evaluation result is expressed by the number of stars by the achievement numerical value of energy saving standard. For high evaluation, it is required to have excellent energy saving performance. In BELS, the number of stars is ranked from one to five according to BEI, but the ranking is based on BEI (Building Energy Index). BEI is a measure for energy conservation performance compared with the standard value, using the design primary energy consumption as the numerator and the standard primary energy consumption as the denominator. One star is the existing energy saving standard, two stars are the energy saving standard, and three stars are the guidance standard.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

JCR assigns "m1", the highest rating on JCR Evaluation Phase 2: Management, Operation and Transparency Evaluation.

Rationale: The projects will be allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

(1) JCR's Key Consideration in This Factor

In this section JCR confirms that the objectives to be achieved through the green loan, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Goal

The Investment Corporation uses the Green Finance Framework as a target for implementing Green Finance. The following is described in the work.

Investment policy based on a long-term vision

The Investment Corporation aims for growth based on the "Six Materiality Issues for Sustainable Growth with Society," which the Sumitomo Corporation Group considers to be an important factor in the formulation of business strategies and the decision-making process for individual businesses. Specifically, Sumitomo Corporation's real estate business contributes to "coexistence with the global environment," "contribution to the development of local communities and industries," "building a foundation for comfortable and spiritual lifestyles," and "building diverse access," among its six materiality areas. The Investment Corporation invests primarily in real estate developed based on this philosophy. In order to realize the "logistical facilities that connect people and society," Sumitomo's advanced logistical facilities series SOSiLA is developed under the names of three key words: Sociability (social connectedness), Sustainability (environmental considerations and sustained growth), and Individuality (consideration of people and the work environment). This investment company focuses on SOSiLA series.

Proceeds from this loan will be used to make new investments in or refinance properties that meet the eligibility criteria set forth in the Green Finance Framework set forth by the Investment Corporation. This is in line with the goal of the Green Finance Framework, which is to promote the operation of the Green Portfolio by conducting portfolio management aimed at Sustainability (environmentally conscious, sustainable growth) through green finance. JCR confirmed that the goals are consistent with the Investment Corporation's efforts for a range of ESG initiatives.

b. Selection Criteria

Qualifying criteria in the Green Finance Framework are described in Phase 1 of the evaluation of this report.

JCR assesses that the selection criteria for these green projects are appropriate.

c. Processes

At the Asset Manager, the Listed REIT Business, which plans to acquire assets or implement renovation work, or the REIT Management Division, which is in charge of the financial management of the Investment Corporation, drafts eligibility assets or projects to be used to finance green financing. Next, after verifying and evaluating compliance with qualified criteria by departments promoting ESG initiatives, deliberations and resolutions are made by the Listed REIT Investment Committee headed by the president and other members include head of the Listed REIT Business and the REIT Management Department. The content of the resolution is to be reported to the ESG Promotion Committee, which is the decision-making body for ESG of the Asset Manager, led by the Board of Directors and the President and CEO. The management appropriately involved in the process for this loan, therefore, is considered to be appropriate.

The Investment Corporation discloses goals of green finance, selection criteria, and processes on its website, and when the loan is executed, it plans to make announcements through press releases, prospectuses, etc. Therefore, transparency is considered to be ensured.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration in This Factor

The management of the proceeds depends on borrowers in general. JCR assesses whether the proceeds firmly allocated to the green project, the project have a framework and internal systems to easily track the allocation of the proceeds. JCR also places great importance on whether the funds are scheduled to be allocated to the green project promptly and also control and management of funds which are not yet appropriated to the project.

(2) Current Status of Evaluation Targets and JCR's Evaluation

The proceeds in lieu of making this loan are expected to be used in full to fund the new acquisition of two logistics facilities described in Phase 1 of this report and to refinance four logistics facilities promptly, none of which are expected to be used for other purposes. In addition, until the repayment of the green loan, it is planned to confirm annually that the sum of the appropriated amount and the unappropriated amount matches the procured amount, or that the total amount has been appropriated, until the appropriation is completed. Once appropriated, if unused funds are found, they will be managed as cash or cash equivalents until they are appropriated for other project that meets the eligibility criteria.⁸⁹

The situation of appropriation of borrowings to the target project shall be tracked and managed by the REIT Management Department of the Asset Management Company, which is in charge of the financial operations of the Investment Corporation, on an electronic file and regularly reports to the General Manager of the REIT Management Department. In addition, as necessary, the Investment Corporation shall submit forms, etc. related to tracking management to the auditing corporation, etc. Regarding fund appropriation, the Internal Audit Office of the Asset Manager is to check whether it complies with the investment system and fund management system of the investment corporation at the time of periodic internal audits.

Documents and electronic files on Green Finance's fund management are stored until the redemption and completion of repayment of Green Finance and for a sufficient period thereafter.

The maximum amount of Green Finance (the amount of Green Qualified Debt) is the sum of the aggregate purchase price of assets in possession that meet the qualifying criteria and expenditures for construction and renovation projects that meet the qualifying criteria, and the total amount of funds raised in Green Finance (the "Total Green Qualified Projects") is expected to be managed so that the amount of Green Qualified Debt does not exceed the amount of Green Qualified Debt.

Although JCR believes that it is desirable that "the sum of the acquisition prices of assets in possession that meet the eligibility criteria and the total expenditures for renovation and other projects that meet the eligibility criteria" multiplied by the LTV (interest-bearing debt ratio), in other respects, the fund management system at the Investment Corporation is reasonable.

⁸ SOSiLA Ebina, SOSiLA Nishi-Yodogawa II

⁹ SOSiLA Yokohama Kohoku, SOSiLA Sagamihara, SOSiLA Kasukabe, SOSiLA Nishiyodogawa I

3. Reporting

(1) JCR's Key Consideration in This Factor

In this section, JCR evaluates whether the disclosure system for investors, etc. before and after the execution of green loans is planned in a detailed and effective manner at the time of the execution of green loans.

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Reporting on the fund allocation

The Investment Corporation plans to disclose the appropriation of the proceeds from green financing on its website once a year. Similarly, there is a change in Green Qualified Assets in any case and an unappropriated funds are identified, it plans to disclose the details and the way of managing the funds on the website. JCR assesses that reporting system on the fund allocation is appropriate.

b. Reporting on environmental improvement effects

The Investment Corporation plans to disclose the following key performance indicators (KPIs) on its website once a year as a report on the environmental improvement effects of this loan.

- Subject property name
- Situation of environmental certification (type of certification, level of certification)
- Electricity usage (*)
- CO₂ output (*)
- Water consumption (*)

(*) Disclosure to the extent that the Investment Corporation has the privilege to manage energy

JCR assesses that the Corporation's disclosures and frequency of disclosures are appropriate in light of the Impact Reporting Standards for Green Buildings established by ICMA.

4. Environmental Initiatives of the Organization

(1) JCR's Key consideration in This Factor

In this section JCR evaluates whether the borrower's management positions environmental issues as a high priority management issue, and whether green loan borrowing policy, process and the criteria for selecting green projects are clearly defined through the establishment of a department specializing in the environmental field or through the assistance of external organizations.

(2) Current Status of Evaluation Targets and JCR's Evaluation

The Investment Corporation has established portfolios centered on the "SOSiLA" series of logistics real estate developed by Sumitomo Corporation. The "SOSiLA" series aims to realize "logistics facilities connecting people and society," and the concept of "consideration of the environment and sustainable development (Sustainability)" and "sociability with society (Sociability)" and "consideration of the human and labor environment (Individuality)."

The concept of the "SOSiLA" series is integrated into the entire business management from the development stage of the Sumitomo Corporation Group, and the portfolios of SOSiLA reflect the environmental friendly business operation of them. Considering the strong integration of the Sumitomo Corporation Group and SOSiLA, which are centered on these "SOSiLA" series, JCR will examine the organizational environmental efforts of the Sumitomo Corporation Group and SOSiLA, respectively.

a. Sumitomo Corporation Group's Environmental Initiatives

The Sumitomo Corporation Group's business activities are based on the business philosophy of Sumitomo. It has been cultivated in about 400 years of history based on the Monjuin Shiigaki written by Sumitomo Masatomo, the founder of the Sumitomo family. The Sumitomo Corporation Group's business philosophy is based on the concept of "Benefit for self and others, private and public interests are one and the same" (Sumitomo's business, while benefiting Sumitomo, must also benefit the nation and benefit society.) It simply expresses the Sumitomo Corporation Group's approach to society and the environment.

The Sumitomo Corporation Group has formulated the following basic philosophy and policies as its environmental policy under the business philosophy.

Sumitomo Corporation Group Environmental Policy

I. Basic Policy

The Sumitomo Corporation Group recognizes that environmental issues are global in scale and that they are long-range concerns affecting future generations. As a global organization, the Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at both social and economic progress and environmental preservation.

II. Basic Guidelines

1. Basic stance with regard to the environment

To place great importance on protecting the global environment as a good corporate citizen in accordance with the Sumitomo Corporation's Activity Guidelines.

2. Compliance with environmental legislation

To strictly observe legislation related to environmental matters not only in Japan but also overseas, and to abide by any agreements made.

3. Caring for the natural environment

To place great importance on preserving the environment, including the natural ecosystem and biodiversity.

4. Response to climate change

To place great importance on mitigating climate change and adapting to its impact.

5. Efficient use of resources and energy

To be mindful of the finite availability of resources and energy and strive to use them both efficiently and effectively.

6. Contributing to the building of a recycling-oriented society

To endeavor to help build a recycling-oriented society by reducing waste and reusing and recycling resources.

7. Promotion of businesses that contribute to environmental preservation

To utilize our integrated corporate strength to promote businesses and projects, which contribute to environmental preservation and reduction of the impact of society on the natural environment.

8. Establishment of environmental management

To use an environmental management system to prevent environmental pollution and set environmental objectives and targets which are regularly reviewed and continuously upgraded.

9. Disclosure of the environmental policy

To communicate this Environmental Policy to all people who are working for or on behalf of the Sumitomo Corporation Group, as well as disclosing it externally.

The Sumitomo Corporation Group engages in various business activities based on the environmental policy. In particular, in the real estate business, which is a core business, environmental considerations such as the use of heat-insulating outer-wall sandwich panels¹⁰ and LED-lighting, and the introduction of water-saving hygiene equipment have been incorporated in many places based on the spirit of Hands-on¹¹ based on the "DNAs of Manufacturing" cultivated over the past 100 years. The social and environmental initiatives of the Sumitomo Corporation Group are reflected in the "SOSiLA" Series. SOSiLA takes over through various types of sponsorship support through the Asset Manager and cooperation in environmental initiatives with the Sumitomo Corporation's Corporate Sustainability Dept.

b. Environmental Initiatives of SOSiLA Logistics REIT

Sumisho Realty Management, the asset management company of the Investment Corporation, has a basic philosophy of contributing to the development of the logistics real estate market and the realization of an affluent society under the environmental policy of the Sumitomo Corporation Group, as well as inheriting the concept through the establishment of a portfolio centered on the "SOSiLA" series, and providing opportunities for ESG investment to a wide range of investors. Initiatives such as developing a green finance framework from the beginning of the IPO and implementing green finance for subsequent asset acquisitions are positioned as part of this effort.

The Asset Management Company has established an ESG Task Force composed of ESG officers from all departments in the Company, and proactive ESG initiatives are being implemented across the Company's internal divisions. In April 2020, the ESG Promotion Committee was established, which is the decision-making body for ESG, led by the president and director. In addition, the ESG Promotion Team has been established in the Business Planning Department to review ESG policies, develop internal systems for ESG, develop medium-to long-term environmental targets, and participate in various initiatives. In addition, the Technical Center established in this department provides technical support for individual properties by persons with expert knowledge and experience in construction, etc., and a system has been put in place to engage in environmental initiatives from an objective and specialist perspective. In addition to actively evaluating real estate, which is evaluated as having a relatively

¹⁰ A panel in which a heat insulating material is sandwiched between two pieces of surface material. It has high heat insulation and workability, and is excellent in durability.

¹¹ This expression expresses Sumitomo Corporation's policy on real estate development, which means "to pursue business with a sense of touch without leaving to other people" and emphasizes the field of "proactive involvement and practice" and aims to create products with care from the user's point of view at all times.

low impact on the environment from the viewpoint of operational management, as an investment target in specific asset acquisition and operation operations, a system has been established to tackle environmental issues on a company-wide basis, such as by introducing energy-efficient equipment and facilities.

In addition to in-house initiatives, the Asset Manager works with the Sustainability Promotion Department of Sumitomo Corporation to ensure consistency between the environmental efforts of the entire Sumitomo Corporation Group and the real estate management of the Investment Corporation. The Asset Manager also refines its knowledge of environmental initiatives widely through discussions and other means. In addition, specialist knowledge is reflected in business operations by utilizing outside consultant companies, etc. according to the field, such as the establishment of a company-wide system, the acquisition of various types of certifications, and the improvement of performance of individual properties, including energy conservation.

At the interview with the Asset Manager, JCR confirmed that such cooperation with expert internal and external departments and specialized organizations was also conducted with respect to the formulation of a green finance framework referred to by the Loans and the establishment of various systems.

From the above, the JCR assesses that the Sumitomo Corporation Group and the management of the Investment Corporation have regarded environmental issues as high priority issues for management, as well as that green loan procurement policies and processes, green project selection standards, etc. have been clearly defined through cooperation with departments and external organizations with expert knowledge.

■Evaluation Result

Based on the JCR Green Finance Evaluation Methodology, JCR assigns “g1” for the evaluation of the “Greenness (Use of Proceeds)” and “m1” for the evaluation of the “Management, Operation and Transparency.” Consequently, JCR assigns “Green 1” for overall “JCR Green Loan Evaluation.” The Borrowing is considered to meet the standards for the “Green Loan Principles” and the “Green Bond Guidelines Green Loan and Sustainability Linked Loan Guidelines”.

[JCR Green Loan Evaluation Matrix]

		Management, Operation and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

■ Scope of Subject

Borrower: SOSiLA Logistics REIT, Inc. (Security Code: 2979)

[Assignment]

Subject	Amount	Execution Date	Maturity Date	Interest Rate	Evaluation
Short-term loan	JPY 2.1 billion	December 10, 2020	November 30, 2021	Benchmark rate + 0.150%	JCR Green Loan Evaluation:Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1
Long-term loan	JPY 4.85 billion	December 4, 2020	November 30, 2026	Benchmark rate + 0.290%	JCR Green Loan Evaluation:Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1
Long-term loan	JPY 4.85 billion	December 4, 2020	November 30, 2028	Benchmark rate + 0.390%	JCR Green Loan Evaluation:Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

(Responsible analysts for this evaluation) Atsuko Kajiwara and Hiroya Kakiuchi

Important explanation of the Green Loan Evaluation

1. Assumptions, Significance, and Limitations of JCR Green Evaluation

JCR Green Loan Evaluation, which is granted and provided by the Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured green loans, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green loans are ensured. The JCR Green Loan Evaluation does not fully indicate the extent to which the funds procured from such green loans are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Loan Evaluation evaluates the planning and status of the appropriation of funds at the time of the green loan procurement plan or procurement, and does not guarantee the appropriation of funds in the future. In addition, the JCR Green Loan Evaluation does not prove the environmental effects of green loans and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green loan on the environment are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle it does not directly measure the effects.

2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance and ESG in <https://www.jcr.co.jp/en/>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

The JCR Green Loan Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-Party Evaluation of JCR's Green Loan

There are no conflicts of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

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■Glossary

JCR Green Loan Evaluation: The JCR Green Loan Evaluation evaluates the extent to which the funds procured from the Green Loan are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

■Status of registration as an external assessor of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles
- Climate Bonds Initiative Approved Verifier

■Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO(Nationally Recognized Statistical Rating Organization. (1)Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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